

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Progressive Paloverde Insurance Company)
6300 Wilson Mills Road, W33)
Cleveland, Ohio 44143-2182)

Examination of: **Progressive Paloverde Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Progressive Paloverde Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 24, 2019, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Progressive Paloverde Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

May 30, 2019
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0854

STATE OF INDIANA)
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

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Cleveland, Ohio 44143-2182)

Examination of: **Progressive Paloverde Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Progressive Paloverde Insurance Company (hereinafter “Company”) for the time period January 1, 2013 through December 31, 2017.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on April 10, 2019.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 24, 2019 and was received by the Company on May 24, 2019.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Progressive Paloverde Insurance Company as of December 31, 2017.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Progressive Paloverde Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 30 day of
May, 2019.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

[Handwritten signature]

[Handwritten initials]
[Handwritten date]

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

PROGRESSIVE PALOVERDE INSURANCE COMPANY

NAIC Co. CODE 44695
NAIC GROUP CODE 0155

As of

December 31, 2017

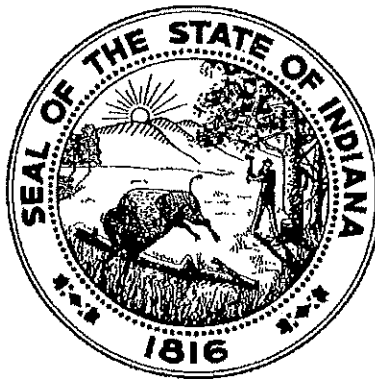


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April 10, 2019

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3963, an examination has been made of the affairs and financial condition of:

Progressive Paloverde Insurance Company
6300 Wilson Mills Road, W33
Cleveland, Ohio 44143-2182

hereinafter referred to as the "Company", an Indiana domestic stock, property and casualty insurance company. The examination was conducted at the corporate offices of the Company in Cleveland, Ohio.

The Report of Examination, reflecting the status of the Company as of December 31, 2017, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from January 1, 2008 through December 31, 2012. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2013 through December 31, 2017, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examination of the Ohio domestic insurance companies of The Progressive Corporation (TPC) was called by the Ohio Department of Insurance (OHDOI) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The OHDOI served as the lead state on the examination, and the INDOI and the state insurance departments representing California, Delaware, Florida, Illinois, Louisiana, Michigan, New Jersey, New York, Texas, and Wisconsin served as participants.

The OHDOI staff provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2017.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

The Company was incorporated under Arizona law by TPC on October 15, 1991 as Paloverde Insurance Company of Arizona and commenced business on January 28, 1992. On April 18, 1997, the Company changed its name to Progressive Paloverde Insurance Company. Effective May 26, 2006, the Company was re-domesticated to Indiana from Arizona. The Company is a 100% owned subsidiary of Progressive Direct Holdings, Inc. (PDH), a direct subsidiary of TPC.

The Progressive insurance organization started as Progressive Mutual Insurance Company (PMIC) in 1937 to provide standard automobile insurance for blue-collar workers. PMIC began writing nonstandard automobile insurance in 1957. In 1965, TPC was formed and during the 1960s grew rapidly concentrating its efforts in nonstandard auto. In 1971, TPC became a publicly traded company. By this time, nonstandard auto represented 90% of its total business. In 1974, TPC moved to its present headquarters in Mayfield Village, Ohio. In 1990, PMIC was liquidated by distributing its surplus to its policyholders.

In 1993, the private passenger automobile operations were further expanded into the standard and preferred markets. In 2015, TPC acquired a controlling interest in ARX Holding Corp., the parent company of American Strategic

Insurance (ASI), a collective group of insurance companies. Through ASI, the Company writes residential property, flood, and umbrella insurance for homeowners, other property owners, and renters.

CAPITAL AND SURPLUS

PDH owned 100% of the Company's issued and outstanding stock as of the examination date. There were 450 shares of \$5,000 par value common stock authorized and 300 shares issued and outstanding throughout the examination period.

DIVIDENDS TO STOCKHOLDERS

The Company paid no dividends during the examination period.

The Company received the following capital contributions from PDH during the examination period:

	Capital Contributions
2017	\$ 2,000,000
2016	5,500,000
2015	2,750,000
2014	1,500,000
2013	400,000
Total	<u>\$ 12,150,000</u>

TERRITORY AND PLAN OF OPERATION

The companies are serviced by almost 34,000 employees and more than 35,000 independent agents. TPC writes personal and commercial auto and other specialty property-casualty insurance. Personal and Commercial Lines products are distributed through both the agency and direct channels. The Personal Lines segment consists of insurance for personal autos and recreational and other vehicles (referred to as special lines products). The Commercial Lines segment consists primarily of liability, physical damage, and other auto-related insurance for autos and trucks owned by small businesses through both independent agency and direct channels.

On a direct basis, the Company primarily writes private passenger auto liability and auto physical damage primarily in Louisiana and Indiana. The Company is a member of the Progressive Direct Pool (Direct Pool) of companies that writes personal automobile coverages nationally. The Company was licensed in Arizona, Indiana, Louisiana, Ohio, Virginia, and West Virginia as of December 31, 2017.

All of the Company's direct premium writings during 2017 were in the following lines of business: Private Passenger Auto Liability (56.2%), Auto Physical Damage (34.0%), Commercial Auto Liability (8.6%), Inland Marine (.9%), and Other Liability-Occurrence (.3%).

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

Year	Admitted Assets	Liabilities	Surplus and Other Funds	Premiums Earned	Net Income
2017	\$ 161,149,087	\$ 105,011,318	\$ 56,137,769	\$ 45,500,075	\$ 2,523,335
2016	155,141,381	102,971,695	52,169,686	39,656,613	2,423,614
2015	135,125,814	90,618,292	44,507,522	34,356,430	2,243,386
2014	117,809,846	78,082,444	39,727,402	31,277,719	2,562,000
2013	108,856,572	72,975,012	35,881,560	28,194,460	2,698,304

The Company's largest asset is invested assets, which increased 29.1% throughout the examination period, to approximately \$63.2 million at year end 2017. Losses and loss adjustment expense reserves increased by 63.7% throughout the examination period. This is primarily due to the 68.3% increase in premiums earned throughout the examination period.

The Company has a history of increases in surplus primarily due to net underwriting and investment gains. It was noted that the Company surplus increased 71.3% or \$23.3 million throughout the examination period, \$12.1 million of which was in capital contributions from PDH.

The Company's financial results are significantly impacted by the financial results of the Direct Pool, which is comprised of Progressive Direct Insurance Company (Progressive Direct), the lead company, and seven (7) affiliated insurers. All business written in the Direct Pool is pooled, the combined premiums distributed, and losses and expenses pro-rated. Pooling percentages are reviewed and updated annually. As of December 31, 2017, the Company's participation percentage in the Direct Pool was 0.5%.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of no less than five (5) directors. At least one (1) of the directors must be a resident of Indiana. The shareholders, at each annual meeting, elect the members of the Board.

The following is a listing of persons serving as directors at December 31, 2017, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Patrick Kevin Callahan Chardon, Ohio	Personal Lines President The Progressive Corporation
John Allen Curtiss, Jr. Chagrin Falls, Ohio	National Product Development Leader The Progressive Corporation
Brian Jacob Gura Chagrin Falls, Ohio	Business Leader, CRM Process The Progressive Corporation
Christine Ann Johnson Chesterland, Ohio	Business Leader, Process & Deliver Exp. The Progressive Corporation
Scott Joseph Zvokel Zionsville, Indiana	Senior Director, Claims Process The Progressive Corporation

Officers

The Bylaws state that the elected officers of the Company shall consist of a President, such number of Vice Presidents as the Board may from time to time determine, a Secretary, a Treasurer, and at its discretion, a Chairman of the Board. Any two of such offices, other than that of President and Vice President and that of President and Secretary, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity. Each of these officers is elected by the Board and shall hold office one (1) year or until their respective successors are duly chosen and have qualified.

The following is a list of key officers and their respective titles as of December 31, 2017:

<u>Name</u>	<u>Office</u>
Brian Jacob Gura	President
Daniel Joseph Witalec	Treasurer
Michael Robert Uth	Secretary
John Allen Curtiss, Jr.	Vice President
Mariann Wojtkun Marshall	Vice President
Scott Edward Coleman	Assistant Treasurer
Karen Ann Kosuda	Assistant Secretary

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2017.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2017.

CORPORATE RECORDS

Articles of Incorporation

The Articles of Incorporation were amended and approved by the Board on November 19, 2015 to provide the new address of the principal office of the corporation in the state of Indiana. The amendment was not disapproved by the INDOI and made effective on March 2, 2016.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws specify that the annual meeting of shareholders is to be held on the third Thursday of April of each year. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

TPC committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Compensation Committee, Executive Committee, Investment & Capital Committee, and Nominating & Governance Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and subsidiaries as of December 31, 2017:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
The Progressive Corporation		OH
Progressive Direct Holdings, Inc.		DE
Progressive Freedom Insurance Company	12302	OH
Progressive Specialty Insurance Agency, Inc.		OH
Progressive Auto Pro Insurance Agency, Inc.		FL
Progressive Choice Insurance Company	44288	OH
Mountain Laurel Assurance Company	44180	OH
Progressive Advanced Insurance Company	11851	OH
Progressive Marathon Insurance Company	37605	MI
Progressive Select Insurance Company	10192	OH
Progressive Max Insurance Company	24279	OH
Progressive Paloverde Insurance Company	44695	IN
Progressive Premier Insurance Company of Illinois	21735	OH
Progressive Universal Insurance Company	21727	WI
Progressive Direct Insurance Company	16322	OH
Gadsden, AL, LLC		OH
Progressive Garden State Insurance Company	14800	NJ

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4. Various inter-company agreements provide for the pooling of underwriting results as well as centralized cash and investment management systems.

Management Agreement

Management, operations, and claims services are provided under a Management Agreement with Progressive Direct. Under the terms of the agreement, the Company is provided underwriting and loss adjustment services for business produced in exchange for a management fee based on the Company's use of services. During 2017, the Company paid Progressive Direct \$12,247,311 for these services.

Investment Services Agreement

The Company participates in an Investment Services Agreement with Progressive Capital Management Corporation (PCMC), a non-insurance affiliate. Under the terms of the agreement, the Company is provided investment and capital management services in exchange for an investment management fee based on its use of services. During 2017, the Company paid PCMC \$52,419 for these services.

Cash Management Agreement

This agreement, effective January 1, 1998, provided for the Company's participation in the TPC central cash management system (cashier account) in which all the cash of TPC holding company system's companies were deposited. Pursuant to this agreement, Progressive Casualty Insurance Company (PCIC) was responsible in a fiduciary capacity for the Company's cash and performed all the Company's duties and operations as they pertain to cash, including the payment of the Company's obligations.

Premium Receivables Agreement

The Company is party to a Premium Receivables Agreement with Progressive Investment Company, Inc. (PICI). Under the agreement, the Company may sell a certain amount of accrued premiums receivable to PICI in exchange for cash or securities. During 2017, the Company sold to PICI \$153,825,411 of accrued premiums receivable.

Interest Agreement

The Company became a participant, effective January 1, 1980, to the existing Interest Agreement with PCIC and members of the holding company system. Pursuant to the agreement, the Company agreed to pay PCIC or receive credit from PCIC for any balances owed to PCIC or owed by PCIC, as a result of the activity in the cashier account as stated in the Cash Management Agreement. During 2017, the Company paid \$291,517 in interest to PCIC.

Tax Allocation Agreement

The Company's federal income tax return is consolidated with TPC and all of its wholly-owned U.S. subsidiaries. The method of allocation is based upon separate tax return calculations with current credit for net losses utilized in the consolidated tax return. Settlements are to be made within ninety (90) days of each quarter in which TPC is required to make a federal income tax estimated payment.

Reinsurance

See the Reinsurance section of this Report of Examination for further information on affiliated reinsurance agreements.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by the Federal Insurance Company, a member of the Chubb Insurance Group. The bond has a single loss coverage limit of \$10,000,000, with an aggregate amount of \$20,000,000, and a \$2,000,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2017, including but not limited to, commercial property liability, general liability, management indemnity/directors and officers liability, umbrella coverage, and workers' compensation.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company does not have employees or payroll and as such, does not have legal obligations for employee benefit plans. Employees of other TPC entities provide management, operations, investment, and claims service under the agreements previously described in the Affiliated Agreements section of this Report of Examination.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits at December 31, 2017:

State	Book Value	Fair Value
For All Policyholders:		
Indiana	\$ 624,859	\$ 597,888
All Other Special Deposits:		
Virginia	291,248	278,677
Total Deposits	<u>\$ 916,107</u>	<u>\$ 876,565</u>

REINSURANCE

Reinsurance Pool

The Company is party to various reinsurance agreements including a pooling agreement with Direct Pool. All of the underwriting business of each member company, net of external reinsurance, is ceded to Progressive Direct, the Direct Pool manager and a pool participant. The combined premiums, losses, and expenses are retroceded to each pool member based on pooling percentages.

The companies participating in the Direct Pool are listed below, each with their respective pooling percentage as of December 31, 2017:

Name of Pool Members	Percentage of Pool	Domiciliary State
Progressive Direct Insurance Company	77.5%	OH
Progressive Marathon Insurance Company	6.0%	MI
Progressive Max Insurance Company	6.0%	OH
Progressive Advanced Insurance Company	4.0%	OH
Progressive Universal Insurance Company	4.0%	WI
Progressive Premier Insurance Company of Illinois	2.0%	OH
Progressive Paloverde Insurance Company	0.5%	IN
Mountain Laurel Assurance Company	0.0%	OH
Total	<u>100.0%</u>	

All business written by each Direct Pool member is subject to pooling with the exception of loss reserves from Progressive Max Insurance Company's asbestos and environmental claims, for which the Company has no exposure. Business ceded by Direct Pool members to non-affiliated reinsurers prior to pooling, is primarily due to state-provided reinsurance programs. The Direct Pool does not participate in any intercompany sharing of the provision for reinsurance and the write-offs of uncollectible reinsurance.

Ceded Reinsurance

Effective October 11, 2016, the Company and thirty-two (32) affiliates entered into an Excess of Loss Agreement with Swiss Reinsurance America Corporation that applies to commercial vehicle policies with vehicle liability limits in excess of \$1 million, but not to exceed \$2 million per occurrence and subject to a maximum limit of liability of \$5 million in the aggregate under any one (1) contract year. The reinsurance agreement is effective through April 11, 2018.

The Company participates in a quota-share reinsurance agreement with General Reinsurance Corporation. Under the reinsurance agreement, which applies to personal umbrella policies, the Company cedes 50% of premiums and losses on policies with limits of \$2 million or less and 80% of premiums and losses on policies with limits from \$2 million to \$5 million. The maximum gross and net exposure is \$5 million and \$1 million, respectively. The reinsurance agreement is continuous with no stated termination date.

The Company has policies in place to comply with SSAP 62R and 63.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2016 and December 31, 2017, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2013 through December 31, 2017, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

PROGRESSIVE PALOVERDE INSURANCE COMPANY

Assets

As of December 31, 2017

	<u>Per Examination*</u>
Bonds	<u>\$ 63,216,737</u>
Subtotals, cash and invested assets	63,216,737
Investment income due and accrued	1,080,734
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	11,785,168
Deferred premiums, agents' balances and installments booked but deferred and not yet due	80,281,035
Reinsurance:	
Amounts recoverable from reinsurers	3,244,303
Net deferred tax asset	1,541,022
Aggregate write-ins for other-than-invested assets	88
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>161,149,087</u>
TOTAL	<u>\$ 161,149,087</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

PROGRESSIVE PALOVERDE INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2017

	Per Examination*
Losses	\$ 14,438,355
Reinsurance payable on paid losses and loss adjustment expenses	260,790
Loss adjustment expenses	3,388,408
Commissions payable, contingent commissions and other similar charges	3,148
Other expenses	68,840
Taxes, licenses and fees	401,962
Current federal and foreign income taxes on realized capital gains (losses)	294,595
Unearned premiums	13,064,798
Advance premium	1,939,127
Ceded reinsurance premiums payable	1,668,150
Drafts outstanding	18,833,000
Payable to parent, subsidiaries and affiliates	14,445,370
Aggregate write-ins for liabilities	36,204,775
Total liabilities excluding protected cell liabilities	105,011,318
Total liabilities	105,011,318
Common capital stock	1,500,000
Gross paid in and contributed surplus	30,150,000
Unassigned funds (surplus)	24,487,769
Surplus as regards policyholders	56,137,769
TOTAL	\$ 161,149,087

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

PROGRESSIVE PALOVERDE INSURANCE COMPANY
Statement of Income
For the Year Ended December 31, 2017

	Per Examination*
UNDERWRITING INCOME	
Premiums earned	\$ 45,500,075
DEDUCTIONS:	
Losses incurred	28,295,333
Loss adjustment expenses incurred	5,207,638
Other underwriting expenses incurred	8,859,178
Total underwriting deductions	42,362,149
Net underwriting gain (loss)	3,137,926
INVESTMENT INCOME	
Net investment income earned	1,092,314
Net realized capital gains (losses) less capital gains tax	(2,280)
Net investment gain (loss)	1,090,034
OTHER INCOME	
Net gain (loss) from agents' or premium balances charged off	(6,641,730)
Finance and service charges not included in premiums	5,862,103
Aggregate write-ins for miscellaneous income	212,302
Total other income	(567,325)
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	3,660,635
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	3,660,635
Federal and foreign income taxes incurred	1,137,300
Net income	\$ 2,523,335

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

PROGRESSIVE PALOVERDE INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2017	2016	2015	2014	2013
Surplus as regards policyholders, December 31 prior year	\$52,169,686	\$44,507,522	\$39,727,402	\$35,881,560	\$ 32,769,201
Net income	2,523,335	2,423,614	2,243,386	2,562,000	2,698,304
Change in net deferred income tax	(980,963)	269,131	407,297	283,846	63,519
Change in nonadmitted assets	425,711	(530,581)	(620,563)	(500,004)	(49,464)
Surplus adjustments:					
Paid in	2,000,000	5,500,000	2,750,000	1,500,000	400,000
Change in surplus as regards policyholders for the year	3,968,083	7,662,164	4,780,120	3,845,842	3,112,359
Surplus as regards policyholders, December 31 current year	<u>\$56,137,769</u>	<u>\$52,169,686</u>	<u>\$44,507,522</u>	<u>\$39,727,402</u>	<u>\$35,881,560</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2017, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no other significant issues to report.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of Progressive Paloverde Insurance Company, as of December 31, 2017.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of Progressive Paloverde Insurance Company as of December 31, 2017, as determined by the undersigned.

Paul Ellis

Paul Ellis, CFE
Noble Consulting Services, Inc.

Under the Supervision of:

Jerry Ehlers

Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 8th day of April, 2019, before me personally appeared, Paul Ellis and Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: September 1, 2021

Samuel Patton

Notary Public



SAMUEL PATTON
Notary Public, State of Ohio
My Commission Expires
September 1, 2021



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